
Addressing Utility Service Affordability and Unequal Regulatory Risk— A Call to Action



National
Consumer Law
Center

*Fighting Together
for Economic Justice*

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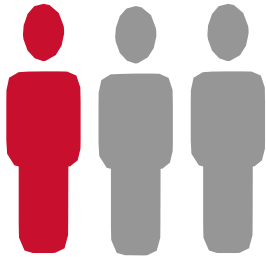
- Since 1969, the nonprofit National Consumer Law Center (NCLC) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. (www.nclc.org)

Roadmap

- Energy Insecurity, Pre-COVID-19
- COVID-19 Impacts
- Energy Insecurity, Post-COVID-19
- Bill Affordability, IL Energy Assistance Impacts
- IL LIIHEAP/PIPP numbers
- Regulatory risk – utilities vs. customers
- Questions for regulators
- Big picture solutions

Energy Insecurity, Pre-COVID-19

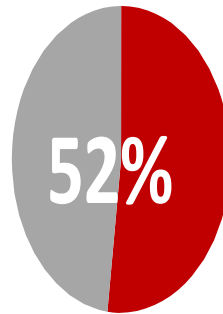
- U.S. Energy Information Administration:



25
Million

25 million households reported [forgoing food and medicine to pay energy bills](#) in at least some months and 7 million had to forgo food and medicine almost every month.

Nearly 1 in 3 U.S. households faced [challenges in paying energy bills](#) or keeping their homes heated or cooled in 2015, as did [50% of households with less than \\$20,000 in annual income](#).



52% of African American households [reported experiencing household energy insecurity](#), as did 44% of Latinx Households.

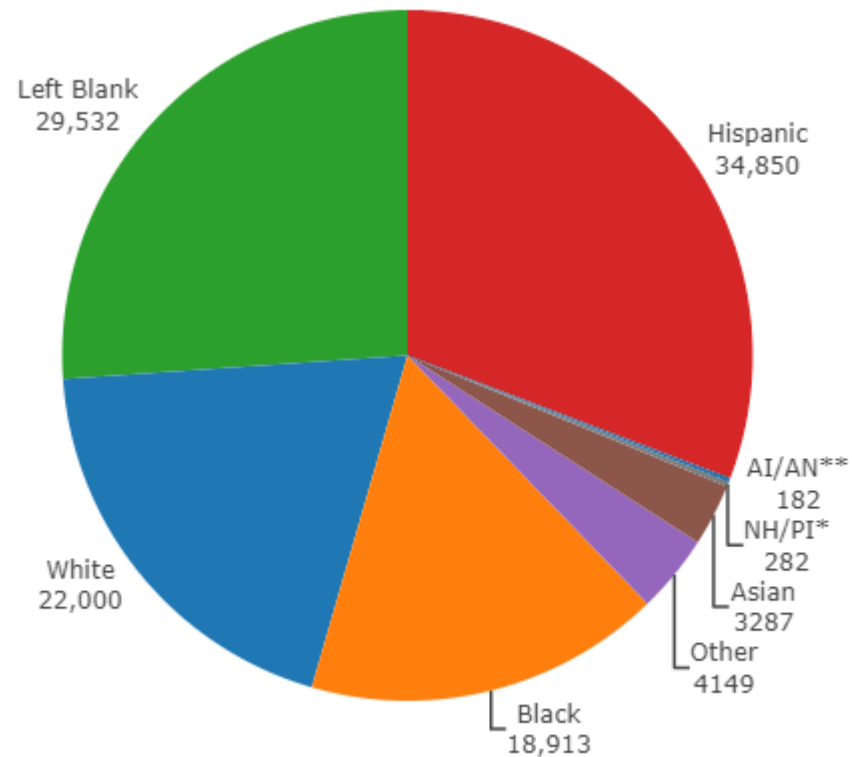
Energy Insecurity, Pre-COVID-19

- Before COVID-19, already a large percentage of the population living on the edge of financial hardship.
- In 2019, the Federal Reserve reported that 4 in 10 households would have difficulty with an unexpected expense of \$400 and that 3 in 10 households would be unable to pay their bills.

COVID-19 Impacts in Illinois

- Communities of color disproportionately impacted
- Low Income customers disproportionately impacted economically

COVID-19 Impacts by Race



Economic Insecurity, Post COVID-19

- Low income persons hit hardest
- Around 40% of Americans earning less than \$40,000 a year lost a job in March: Federal Reserve Chairman Jerome Powell
- Powell: "This reversal of economic fortune has caused a level of pain that is hard to capture in words, as lives are upended amid great uncertainty about the future."

Economic Insecurity, Post COVID-19

- Center on Budget and Policy Priorities:

Most of the jobs lost in the first two months of the sharp economic downturn have occurred in industries that pay low average wages.

➤ CBPP: As a result, the deep downturn has hit hardest at workers who already faced barriers to economic opportunity, including Latinx and Black workers, workers without a bachelor's degree, and immigrants.

Economic Insecurity, Post COVID-19

CBPP (cont'd):

- More than half of the 20 million private-sector jobs lost since February come from the lowest-paying group of industries.
- Industries that pay low wages employ a disproportionate number of people who face barriers to economic opportunity. These include younger people, those with limited economic resources, those who do not have a four-year college degree, Latinx and Black workers, and non-citizens.
- Industries in the low-paid group have shed 28 percent of their jobs since February, twice the rate in the middle-paid third (12 percent) and nearly four times the rate in the highest-paid third (8 percent).
- The three hardest-hit industries are all in the lowest-paid one-third of U.S. industries.

What Constitutes an Affordable Utility Bill?

- Illinois Energy Assistance Act, which created Percentage of Income Payment Program (PIPP), sets affordable bills at 6% of monthly income.
- Even with LIHEAP, PIPP, energy burden (% of monthly income going to paying energy bills) greatly exceeds 6% for very low income customers.

IL Energy Burden, FY 2019-20

LIHEAP

| Percent of Poverty | Application Count | Utility Bill | LIHEAP Benefit | Income | EB Prior | EB After |
|--------------------|-------------------|--------------|----------------|---------------|------------|------------|
| 0-50 | 61,392 | 2,171 | 913 | 4,940 | 44% | 25% |
| 51-100 | 113,810 | 2,067 | 692 | 12,930 | 16% | 11% |
| 101-150 | 76,348 | 2,075 | 526 | 20,364 | 10% | 8% |
| Grand Total | 251,550 | 2,092 | 681 | 13,848 | 15% | 10% |

IL Energy Burden, FY 2019-20

PIPP

| Percent of Poverty | Application Count | Utility Bill | PIPP Benefit | Income | EB Prior | EB After |
|--------------------|-------------------|--------------|--------------|---------------|------------|-----------|
| 0-50 | 2,331 | 2,102 | 1,041 | 5,839 | 36% | 18% |
| 51-100 | 13,235 | 2,051 | 978 | 10,868 | 19% | 10% |
| 101-150 | 8,069 | 2,266 | 906 | 17,151 | 13% | 8% |
| Grand Total | 23,635 | 2,129 | 960 | 12,517 | 17% | 9% |

Illinois LIHEAP, PIPP Numbers

- Annual LIHEAP enrollment: 199,944
- Annual PIPP enrollment: 30,164
- Compare with Illinois poverty data:
 - ComEd – 47% of residential customers (1.6 million of 3.5 million households served meet the statutory low-income eligibility of 80% AMI requirement)
 - Ameren – 41% of Ameren Illinois residential customers under the definition used by IWAP(>200% FPL)
- Conclusions: Most Illinois low income households receive no energy assistance

History of SLIHEAP Fund Balance

| Year | Collections | Expenditures (non-sweep) | Borrowings | Balance (end of year) |
|------|-------------|-----------------------------|----------------|--------------------------|
| 2015 | 111,507,494 | 112,417,289 | (75,049,613) | 17,481,300 |
| 2016 | 99,239,893 | 61,896,327 | 0 | 45,580,152 |
| 2017 | 101,928,955 | 68,838,520 | (67,729) | 81,239,236 |
| 2018 | 109,629,070 | 81,855,989 | (15,000,000) | 90,951,144 |
| 2019 | 100,471,460 | 49,778,852 | (27,074,279) | 115,604,715 |
| 2020 | 76,895,221 | 33,982,425 | *(100,000,000) | 20,000,000 |

As of 4/9/2020 - \$30M borrowed last fall, additional \$70M in COVID response.

Funds that should be going to energy assistance/PIPP are being swept regularly.

Meanwhile, utilities face negligible financial risk

- Large electric companies:
 - Formula rates (Section 16-108.5 of PUA)
 - Permits recovery of all costs from prior year
 - Annual reconciliation of prior year's Commission-set revenue requirement and
 - Recovery of projected plant investment for the filing year

Meanwhile, utilities face negligible financial risk

- Large gas companies
 - Future test year
 - Decoupling (ensures a true-up of their residential revenue requirement each year)
 - Rider QIP (permits monthly surcharge for nearly any infrastructure investments except new service lines)
 - Latest average Peoples Gas QIP surcharge: \$10/month!

Meanwhile, utilities face negligible financial risk

- **All** major electric and gas utilities have:
 - Uncollectibles rider (recovers incremental net write-off amounts each month, based on annual reconciliation)
 - Energy efficiency formula rate rider (recovers program costs with utility's cost of capital applied to unamortized budget balance)
 - Other riders (recover tax, environmental costs)

Conclusion:

The regulatory compact is off-balance

- Utility risk of revenue recovery: negligible to non-existent for major Illinois electric and gas utilities
- Risk of disconnection for Illinois' low-income residents: significant and growing

What's happening with delivery service bills?



Questions for regulators to ask utilities in any rate proceeding...

- How are your low income customers faring?
 - What are your disconnection policies and how are they applied?
 - What are your disconnection rates **by zip code**?
 - What are your deferred payment arrangement numbers in terms of numbers and length?
 - How many defaulted?
 - How many renegotiated?
 - What are your annual uncollectibles \$ figures?
 - What is happening with rider surcharges?

Big picture solutions

- General Assembly: More money for PIPP, with more dollars actually going to ratepayers (fix the sweep problem)
- Need for summer energy assistance if funding permits
- ICC – More generous credit and collections protections, with longer DPA terms, elimination of deposit and late fee requirements for LI customers – including those previously disconnected.
- Changes in utility rate design: Discount rates with arrearage reduction programs for income-qualified customers (MA, CA)
- Policies that protect the vulnerable, such as no disconnects for persons over 65 or low-income households with infants (MA)

Big picture solutions

- Monitor/audit QIP spending
- Revisit allowed utility profit levels (ROEs) for non-formula rate companies
- More data collection, by zip code
- Greater concentration of residential energy efficiency dollars to low income weatherization efforts in electric/gas utility four-year plans.



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Footnotes

- Slide 4: Energy Information Administration, <https://www.eia.gov/todayinenergy/detail.php?id=37072>
- Slide 5: See Board of Governors of the Federal Reserve, “Report on the Economic Well-Being of U.S. Households in 2018 (May 2019) at p.21, available at <https://www.federalreserve.gov/consumerscommunities/files/2018-report-economic-well-being-us-households-201905.pdf>
- Slides 7: Illinois Department of Health website: <http://www.dph.illinois.gov/covid19/covid19-statistics>
- Slide 8: See Federal Reserve Board May 21, 2020 report, *Report on the Economic Well-Being of U.S. Households in 2019, Featuring Supplemental Data from April 2020*, <https://www.federalreserve.gov/consumerscommunities/shed.htm>
- Slides 9, 10: *People Already Facing Opportunity Barriers Hit Hardest by Massive April Job Losses*, Center on Budget and Policy Priorities, MAY 12, 2020 <https://www.cbpp.org/blog/people-already-facing-opportunity-barriers-hit-hardest-by-massive-april-job-losses>
- Slides 11: See 305 ILS 20/18(a)(2): “... provided that the percentage shall be no more than a total of 6% of the relevant income for gas and electric utility bills combined, but in any event no less than \$10 per month, unless the household does not pay directly for heat, in which case its payment shall be 2.4% of income but in any event no less than \$5 per month. See also Roger Colton’s *Energy Affordability Gap* webpage: http://www.homeenergyaffordabilitygap.com/01_whatIsHEAG2.html#
- Slides 12, 13: DCEO presentation, April 16, 2020 to PIPP Policy Advisory Council
- Slide 14: DCEO’s Office of Community Assistance, Program Status Summary to Policy Advisory Council, April 30, 2020
- Slide 20: Re: data by zip code requirement, See *The Need for Utility Reporting of Key Credit and Collections Data Now and After the Covid-19 Crisis*, April 2020, National Consumer Law Center, John Howat; https://www.nclc.org/images/pdf/special_projects/covid-19/IB_Data_Reporting.pdf